

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the "MOU") is entered into as of June 4, 1997, by and between McDonnell Douglas Realty Company, a California corporation ("MDRC"), and Union Pacific Railroad Company, a Utah corporation ("Union Pacific").

RECITALS

A. MDRC is the owner of approximately 170 acres of real property located in the City of Los Angeles (the "City"), south of 190th Street and between Normandie Avenue and Western Avenue (the "Property"). Union Pacific, through its subsidiary Southern Pacific Transportation Company ("SP"), a Delaware corporation, is the owner of a rail line and right of way known as the Torrance Branch which is located adjacent to the Property.

B. MDRC is in the process of obtaining entitlements from the City to redevelop the Property with retail, industrial and office uses, which redevelopment project is commonly referred to as the "Harbor Gateway Center Project."

C. In connection with the Harbor Gateway Center Project, MDRC, in cooperation with the City, must obtain the approval of the California Public Utilities Commission (the "PUC") (i) to relocate an existing private crossing and to make it available for use by the public as part of a public street, (ii) to provide up to two (2) additional public street crossings of the Union Pacific rail line along the west side of Normandie Avenue adjacent to the Property, and (iii) to provide a new public street crossing of a spur track located on the Property that is connected to the Union Pacific rail line along Normandie Avenue.

D. The parties have agreed to cooperate in seeking the required PUC approvals and in the construction and maintenance of the approved crossings, all as more fully set forth herein.

NOW, THEREFORE, MDRC and Union Pacific agree as follows:

1. Upon the terms and conditions hereinafter set forth, Union Pacific shall cooperate with MDRC and City to obtain PUC approval of the crossings described above in the Recital C.

2. The City shall make application to the PUC for the crossings.
3. City's application to the PUC shall specify that crossing gates and flashers will be installed at each crossing in Recital C, and City and MDRC shall cooperate to obtain PUC approval of such warning devices.
4. City's application to the PUC shall specify that City, through MDRC or its designee, is to be responsible for the entire cost of design and construction of the PUC-approved crossings and all costs of future maintenance of such crossings. Union Pacific or its successors in interest shall not be responsible for the costs of construction or maintenance of the PUC-approved crossings.
5. MDRC shall offer to Union Pacific to provide adequate continuing insurance against liability arising from crossing accidents on the PUC-approved crossings in an amount which is mutually acceptable to Union Pacific and MDRC and which names Union Pacific as an additional insured.
6. Union Pacific shall be responsible for the design of the PUC-approved crossings and, concurrently with the execution hereof, MDRC shall pay to Union Pacific \$25,000.00 as a deposit against the costs to be reasonably incurred by Union Pacific in connection with such design work, all of which costs shall be the responsibility of MDRC. Unless some other arrangements are mutually agreed to, upon receipt of invoice, MDRC shall pay to Union Pacific all costs incurred by Union Pacific for labor and materials required to construct the PUC-approved crossings. Material costs shall be payable in advance.
7. This MOU shall be replaced by Union Pacific's standard crossing agreements at an appropriate time in the future following PUC approval of the crossings.

IN WITNESS WHEREOF, MDRC and Union Pacific have entered into this MOU as of the date first above written.

MCDONNELL DOUGLAS REALTY COMPANY,

By: _____

UNION PACIFIC RAILROAD

By: _____

Approved as to Form

Jeffrey
Assistant General Counsel